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CORPORATION FILE

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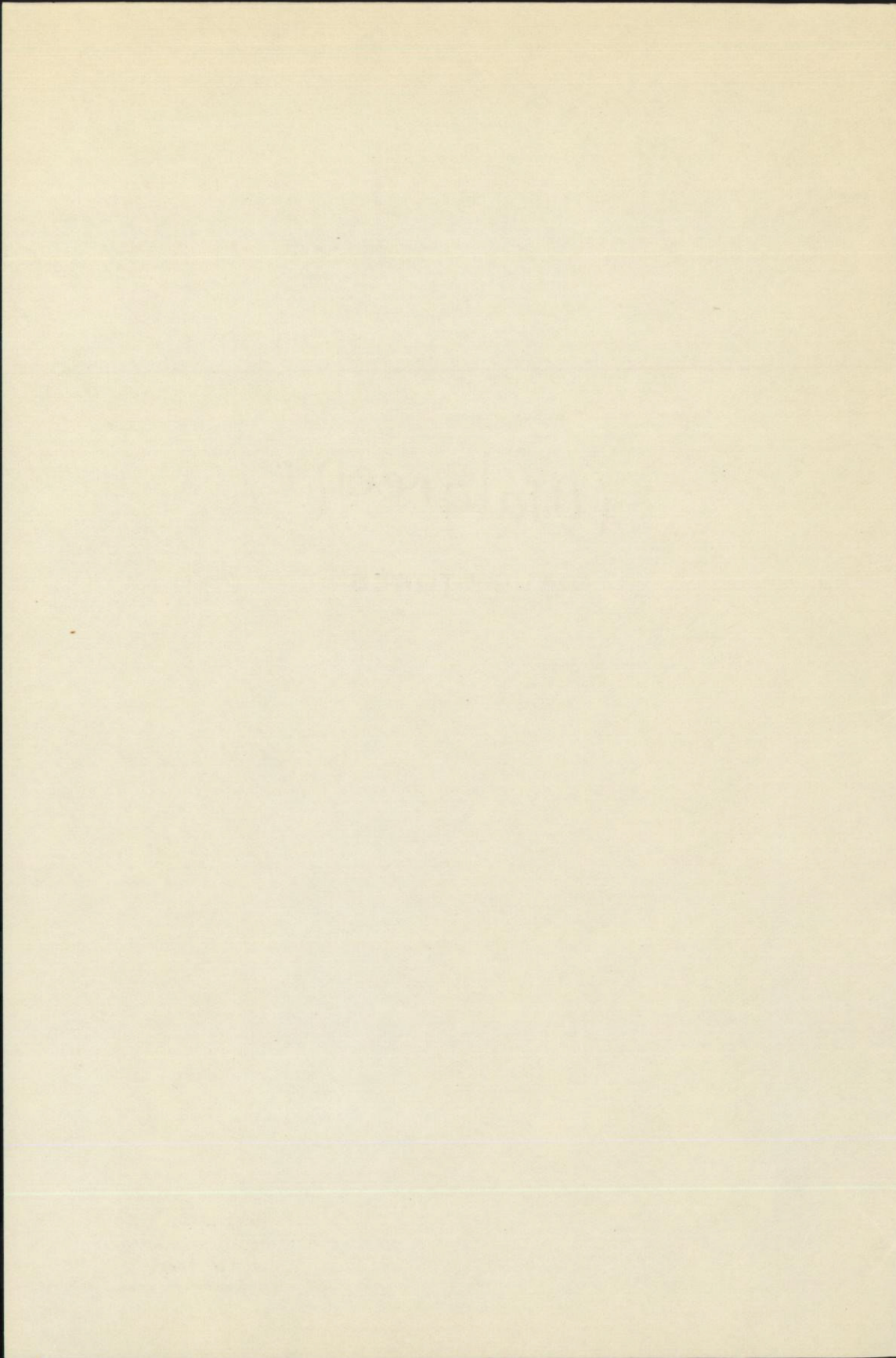
Walgreen

DRUG STORES

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MRE
CORP. FILE

WALGREEN CO.
REPORT TO STOCKHOLDERS
Year Ended
September 30, 1935



W. J. ...

...

...

...

Walgreen

DRUG STORES

CHICAGO

November 16, 1935.

TO OUR STOCKHOLDERS:

The usual financial statements of our Company, for the fiscal year ended September 30, are enclosed.

Earnings were \$2,320,371, which compare with \$2,558,894 last year. This is equivalent to \$2.52 per share on a somewhat larger number of shares than were outstanding in 1934. Operating profit was close to last year's, but improvements to leased properties written off were much higher, as were taxes, correspondingly reducing final net profit.

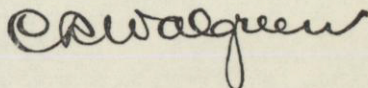
We had 501 stores in operation at September 30, as compared with 483 a year ago. During the year we closed 33 stores, opened 51 new stores, and made major remodelings in 34 existing stores. The results while highly satisfactory are but slightly reflected in this statement.

A continuation of our present policy of expansion and improvement is planned.

Our financial position is good, cash being in excess of all liabilities and accruals.

After a careful and thorough consideration of all factors involved, it is my opinion that the condition of our Company is in practically all respects the best it has been in its existence. From present indications, increased dividends will be justified.

Yours very truly,



President.

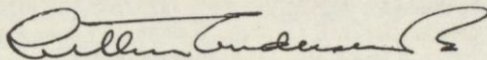
ARTHUR ANDERSEN & Co.
ACCOUNTANTS AND AUDITORS

135 SOUTH LA SALLE STREET
CHICAGO

To the Board of Directors,
Walgreen Co.:

We have made an examination of the consolidated balance sheet of WALGREEN CO. AND SUBSIDIARY COMPANIES as at September 30, 1935, and of the statements of consolidated profit-and-loss and surplus accounts for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of profit-and-loss and surplus accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at September 30, 1935, and the results of their operations for the year ended that date.



Chicago, Illinois,
November 13, 1935.

WALGREEN CO. (AN I
AND SUBSIDIA
CONSOLIDATED BALANCE

A S S E T S

CURRENT ASSETS:

Cash in banks, in transit and on hand.....	\$2,891,407.89	
Accounts and notes receivable—		
Accounts, less reserves	\$401,780.26	
Notes	9,946.61	411,726.87
<hr/>		
Negotiable warehouse receipts for merchandise in public warehouses		680,608.20
Inventories of merchandise, valued at the lower of cost or market; based on physical inventories taken continuously throughout the year, quantities and condition determined by the company.....		7,906,606.21
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TOTAL CURRENT ASSETS		\$11,890,349.17

PREPAID INSURANCE, TAXES, RENT, ETC..... 484,223.87

INVESTMENTS AND OTHER ASSETS:

Stocks in other companies, at cost	\$ 458,187.06	
Notes receivable from sale of assets, less reserves.....	158,966.31	
Other receivables, bonds, tax warrants, etc., less reserves	90,613.41	
Employees' notes and accounts	4,618.23	
Preferred stock of Walgreen Managers Investment Co., at cost	50,000.00	
Cash surrender value of \$725,000.00 insurance on life of C. R. Walgreen, president	181,974.50	944,359.51
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FIXED ASSETS:

Classification	Cost Less Write-Downs in Prior Years	Reserves for Depreciation	Net	
Land	\$ 231,755.55	\$ —	\$ 231,755.55	
Buildings	820,565.67	166,627.49	653,938.18	
Equipment	9,337,488.17	4,357,484.29	4,980,003.88	
	<hr/>	<hr/>	<hr/>	
	\$10,389,809.39	\$4,524,111.78	\$5,865,697.61	5,865,697.61
	<hr/>	<hr/>	<hr/>	

GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal value		1.00
		<hr/>
		\$19,184,631.16
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NOTE:—At September 30, 1935 there were outstanding in the U.S. covering 63,818 common shares at \$50.00 per share. The U.S. covering 14,250 common shares expiring December 31, 1935 covering 14,250 common shares reserved for this purpose in June, 1933.

ILLINOIS CORPORATION)

RY COMPANIES

HEET—SEPTEMBER 30, 1935

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 1,680,747.39
Employees' investment certificates	39,450.00
Accrued payrolls and other expenses	258,847.82
Accrued taxes—real estate, personal property, sales, etc.	361,732.29
Reserve for Federal income taxes for current and prior years (subject to final review and deter- mination by the Treasury Department)	312,099.11

TOTAL CURRENT LIABILITIES \$ 2,652,876.61

CONTINGENT LIABILITIES REPORTED:

Under pending lawsuits, prior years' Federal income taxes, etc., estimated by the company not to exceed.....	\$150,000.00
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CAPITAL STOCK AND SURPLUS:

Preferred stock, 6½% cumulative, par value \$100.00, redeemable on call or in liquidation at premiums varying from \$15.00 to \$7.50 per share; annual sinking fund \$96,750.00— Originally authorized and issued 45,000 shares, retired 4,163 shares, outstanding 40,837 shares	\$ 4,083,700.00
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Common stock without par value— Authorized 1,000,000 shares Issued 858,409 shares (including 43,698 shares in treasury)	6,816,689.59
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\$10,900,389.59

Earned surplus (restricted to the extent of the un- expended preferred-stock sinking-fund appropria- tion of \$36,227.50 and, under the Illinois Busi- ness Corporation Act, to the extent of cost of treasury stock, \$561,830.60)	6,193,195.56
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TOTAL CAPITAL STOCK AND SURPLUS \$17,093,585.15

Deduct—Treasury common stock, 43,698 shares, at cost	561,830.60	16,531,754.55
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\$19,184,631.16

ds of the public, purchase warrants expiring December 31, 1935
e were also outstanding options to employees at \$13.50 per share,
es held in treasury, this being the balance of 30,000 shares re-

WALGREEN CO. (AN ILLINOIS CORPORATION)
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT-AND-LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1935

Particulars	Amount	
NET SALES, less sales taxes		\$58,106,875.63
COST OF SALES		38,206,736.45
Gross profit on sales		\$19,900,139.18
OTHER OPERATING INCOME		218,378.30
Total		<u>\$20,118,517.48</u>
OPERATING EXPENSES:		
Selling, advertising and occupancy	\$16,661,174.68	
General and administrative	651,227.01	17,312,401.69
Net profit from operations		\$ 2,806,115.79
OTHER INCOME		67,421.55
Total		<u>\$ 2,873,537.34</u>
OTHER CHARGES:		
Lease-cancellation payments and expenses	\$ 59,655.33	
Improvements to leased properties	165,839.49	
Other charges not applicable to operations	41,955.89	267,450.71
Net profit before provision for taxes		\$ 2,606,086.63
PROVISION FOR INCOME AND FRANCHISE TAXES:		
Federal income taxes (see Note 2)	\$ 239,653.31	
Capital-stock and franchise taxes, etc.	46,061.38	285,714.69
Net profit carried to earned surplus		<u>\$ 2,320,371.94</u>

NOTES:

- (1) The provision for depreciation of buildings and equipment for the current year was \$682,139.48. This does not include amortization of short-life equipment of \$211,145.07 which substantially represents current expenditures.
- (2) The provision for Federal income taxes is less than would normally be required because the companies in their tax returns claim additional deductions for depreciation and amortization and for other charges reflected in the consolidated earned-surplus account in prior years.

CONSOLIDATED EARNED-SURPLUS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1935

BALANCE, SEPTEMBER 30, 1934		\$ 5,557,275.00
NET PROFIT for the year ended September 30, 1935....		2,320,371.94
		<u>\$ 7,877,646.94</u>
DIVIDENDS PAID:		
On preferred stock, 6½%, including dividend for the quarter ended September 30, 1935 paid on that date	\$ 265,432.54	
On common stock—		
In cash, \$1.15 per share	921,294.15	
In stock, 5% paid by distribution of 38,411½ shares of treasury common stock, at cost	497,724.69	1,684,451.38
Balance, September 30, 1935		<u>\$ 6,193,195.56</u>

DIRECTORS

ARTHUR S. BOWES
JUSTIN W. DART
HARRY GOLDSTINE
JOY H. JOHNSON

ROBERT G. KNIGHT
ROLAND G. SCHMITT
CHARLES R. WALGREEN
CHARLES R. WALGREEN, JR.

JAMES E. WARD

OFFICERS

CHARLES R. WALGREEN, - - - - - *President*
HARRY GOLDSTINE - - - - - *Vice-President*
CHARLES R. WALGREEN, JR. - - - - - *Vice-President*
ELMER E. RUECKERT - - - - - *Treasurer*
ROLAND G. SCHMITT - - - - - *Secretary*
WILLIAM G. JOHNSTON - - - - - *Ass't Sec'y*

COMMON STOCK

CHICAGO

Transfer Agent
FIRST NATIONAL BANK

Registrar
HARRIS TRUST & SAVINGS BANK

NEW YORK

Transfer Agent
COMMERCIAL NATIONAL BANK &
TRUST CO.

Registrar
GUARANTY TRUST CO.

PREFERRED STOCK

CHICAGO

Transfer Agent
FIRST NATIONAL BANK

Registrar
HARRIS TRUST & SAVINGS BANK

NEW YORK

Transfer Agent
GUARANTY TRUST CO.

Registrar
COMMERCIAL NATIONAL BANK &
TRUST CO.

